

Message Text

SECRET

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 AF-04 TRSE-00 NSC-10 NSCE-00

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R 051829Z OCT 73

FM AEMBASSY PARIS

TO SECSTATE WASHDC 3812

S E C R E T PARIS 26182

LIMDIS

E.O. 11652

TAGS: EFIN, FR

SUBJECT: GOF DISAPPOINTMENT WITH NAIROBI MEETING

DEPT PASS TREASURY

DEPT REPEAT OTHER POSTS AS DESIRED

1. IN CONVERSATION WITH AMBASSADOR MALMGREN AND MINECON ON OCTOBER 3, FREYCHE, ECONOMIC AND FINANCIAL ADVISOR TO PRESIDENT POMPIDOU, EXPRESSED DISAPPOINTMENT AT THE RESULTS OF THE NAIROBI MEETING. HE SAID HE HAD THE DISTINCT IMPRESSION THAT SECRETARY SHULTZ HAD NOT WANTED ANY PROGRESS TO BE MADE AT NAIROBI. THIS HAD SURPRISED AND DISTURBED THE FRENCH, SINCE THE GOF HAD ASSUMED, AS A RESULT OF WHAT HAD BEEN ACCOMPLISHED AT THE JULY MINISTERIAL MEETING IN WASHINGTON, THAT REAL PROGRESS WAS POSSIBLE AT NAIROBI. THE GOF FOR ITS PART HAD BEEN FULLY PREPARED TO PARTICIPATE IN SUBSTANTIAL FORWARD MOVEMENT AT NAIROBI. FREYCHE SAID THE PRINCIPAL ISSUES DIVIDING THE U.S. AND THE EC WERE THE AUTOMATICITY OF THE INDICATOR, ON WHICH HE SAID THE U.S. APPEARED TO HAVE RETREATED FROM THE POSITION IT HAD TAKEN IN JULY, AND MANDATORY MULTILATERAL CONVERTIBILITY VERSUS BILATERAL CONVERTIBILITY.

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2. AS A RESULT OF THE FAILURE TO ACHIEVE PROGRESS AT NAIROBI,

FREYCHE SAID HE FEARED THE WHOLE TIMETABLE OF MONETARY REFORM HAD BEEN THROWN OFF. THE FRENCH HAD HOPED THAT AN AGREEMENT ON GENERAL PRINCIPLES COULD BE REACHED AT NAIROBI, THAT AGREEMENT ON A DETAILED PLAN FOR MONETARY REFORM COULD BE REACHED BY THE JULY 31, 1974, DEADLINE, AND THAT THE PLAN COULD BE FORMALLY RATIFIED AT THE ANNUAL FUND AND BANK MEETING IN SEPTEMBER 1974. IT NOW LOOKED AS THOUGH WE WOULD BE LUCKY TO GET AN AGREEMENT ON PRINCIPLES BY THE JULY 31 DEADLINE, WHICH MEANT THAT THERE COULD BE NO HOPE OF FORMAL RATIFICATION OF THE REFORM PLAN BEFORE THE 1975 BANK AND FUND MEETING. ONE COULD NOT RULE OUT THE POSSIBILITY OF

A REAL MONETARY CRISIS BEFORE THAT TIME, WHICH MIGHT FORCE GOVERNMENTS TO AGREE ON MONETARY REFORM IN HASTE.

3. FREYCHE SAID HE HAD NO IDEA WHY THE U.S. SHOULD NOT HAVE WANTED PROGRESS AT THE NAIROBI MEETING. IF WE BELIEVED THAT THE STRONG IMPROVEMENT IN OUR BALANCE OF PAYMENTS POSITION WHICH EVERYONE AGREED WAS LIKELY IN THE COMING YEAR WOULD STRENGTHEN OUR BARGAINING POSITION, WE WERE WRONG, SINCE IT WOULD NOT.

3. WHEN ASKED WHETHER HE WAS EXPRESSING PERSONAL VIEWS OR WHETHER THESE WERE THE CONSIDERED VIEWS OF THE GOF, FREYCHE REPLIED THAT THEY WERE THE VIEWS OF THE GOF, SPECIFICALLY POMPIDOU AND GISCARD.

4. A DIRECTLY CONTRARY VIEW WAS EXPRESSED BY GISCARD IN AN INTERVIEW PUBLISHED IN THE OCTOBER 4 EDITION OF LE MONDE. GISCARD WAS ASKED WHETHER HE DID NOT HAVE THE IMPRESSION THAT SHULTZ WAS LESS ANXIOUS FOR AN AGREEMENT BY THE JULY 31 DEADLINE THAN GISCARD. GISCARD REPLIED, "THIS IS NOT THE IMPRESSION THAT I HAD PERSONALLY. MR. GEORGE SHULTZ SEEMED TO ME AS DESIROUS AS OUTSELVES TO REACH AN AGREEMENT BEFORE THE DEADLINE." IN A SUBSEQUENT CONVERSATION WITH MINECON, FREYCHE, COMMENTING ON THIS DISCREPANCY, SAID THAT IT WENT WITHOUT SAYING THAT MONSIEUR GISCARD WOULD NOT STATE PUBLICLY THE VIEWS WHICH FREYCHE HAD EXPRESSED TO US PRIVATELY SINCE HE WOULD NOT WISH TO DO ANYTHING THAT WOULD MAKE PROGRESS TOWARD MONETARY REFORM EVEN MORE DIFFICULT. HE REAFFIRMED THAT WHAT HE HAD TOLD US PRIVATELY WAS THE REAL VIEW OF THE GOF.

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5. MEETINGS WHICH AMBASSADOR IRWIN HAS SCHEDULED WITH SENIOR FRENCH OFFICIALS IN COMING WEEK WILL PROVIDE OPPORTUNITY FOR FURTHER COMMENTS OF THIS TENOR ON NAIROBI MEETING. WOULD APPRECIATE WASHINGTON'S APPRAISAL OF FREYCHE'S COMMENTS AND GUIDANCE IN CASE SUBJECT RAISED IN THESE MEETINGS.

IRWIN

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NNN

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